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RALEIGH — As the U.S. Senate takes up a sweeping financial industry regulation bill in the coming weeks, expect some of the fiercest fighting to focus on a proposal to create a new federal consumer watchdog.

According to backers such as Rep. Brad Miller, the new regulator would help curb practices that hurt low- and moderate-income borrowers and contributed to the subprime mortgage crises, one of the major causes of this recession.

"American consumers got cheated by the fine print that the banks' lawyers wrote," said Miller, a Raleigh Democrat who represents parts of Guilford and Rockingham counties.

When the bill worked its way through the House, Miller was a proponent of an Obama administration proposal that would have created a separate consumer watchdog agency. The Senate version, which has passed the Banking Committee, would make the watchdog a division of the federal reserve but give it some independence from other policy makers.

"I'm not sure it matters where they have their desks," Miller said.

In either case, he said, the agency could collect information from lenders, and also look out for obtuse contracts and unusually high default rates or out-of-line fees such as high and repeated overdraft charges.

North Carolina's two senators seem to be leaning different ways on the bill.

Sen. Kay Hagan was traveling in Afghanistan last week. Before she left, the Greensboro Democrat said she supported many of the ideas in the bill.

"It is imperative that we pass common-sense financial reform so that American taxpayers will never again have to bear the cost of a financial crisis," Hagan said.

Her statement did not address the new consumer watchdog.

In an interview earlier this year, Sen. Richard Burr, a Winston-Salem Republican, expressed doubts about whether the government should create a new consumer protection regulator.

"I'd have to look at the final federal construct of it, but I'm inclined not to be supportive of it based upon what I've heard," he said at the time.

Asked to comment again this week, Burr said the need for consumer protections should be balanced with the need for regulators to ensure "safety and soundness," industry jargon for ensuring that banks are themselves on firm financial footing.

"As we work through improving consumer protections, it will be important that there is parity between safety and soundness oversight and consumer protection oversight," he said.

The measure has faced opposition from industry groups such as the Mortgage Bankers Association as well as a number of banking interests.

"The consequences to the consumer will be equal or worse than what they're trying to legislate away," said Robert Braswell, president of Greensboro-based Carolina Bank.

The regulations proposed in the measure would duplicate some limits already on the books, he said.

Banks, he said, will pass on added costs to consumers or stop offering some services, such as free checking. Braswell said when he has been on lobbying trips to Washington on behalf of bankers groups, congressmen and congressional staffers did not seem receptive to points made by those in the industry.

"There is no consideration to (whether it's duplicative); there's no consideration as to cost," he said. "Those who are behind this legislation are absolutely ill-informed and under-educated ... They refuse to consult with anyone who does possess the requisite knowledge."

Miller said whatever powers might exist have not been exercised by federal regulators.

In a piece he wrote for Politico.com, Miller said a new regulator is needed to pick up where others have been lax.

"Ten federal agencies now have dribs and drabs of consumer-protection powers, but consumer protection is an afterthought for all 10, and all have been far too eager to please the financial industry," Miller wrote.

Consumer finance advocates say the measures are sorely needed.

"It really comes down to balance," said Chris Kukla, senior counsel for government affairs with Durham-based Center for Responsible Lending.

For too long, he said, consumer protection measures have been bypassed while regulators concentrated on bank balance sheets.

Advocates, Kukla said, will be watching carefully as the Senate debates the bill and then a final House-Senate compromise is drafted. Although backers of the measure say they are happy enough with its current form, they are worried about a number of potential changes.

Car dealers and their finance arms are hoping for exemptions, Kukla said.

"Another issue would also be independence," he added.

Some proposed amendments would strip the new consumer regulator of enforcement powers or subject its rulings to other regulators more concerned with solvency than consumer issues.

That would water down the ability of the new regulator to protect consumers, Kukla said.

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